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UMKM East Java Based On Innovation

UMKM are businesses or businesses run by individuals, households, or small business entities. According to the senior economist, Prof. Ina Primiana UMKM are small-scale business activities that are able to encourage the movement of development and the Indonesian economy. A business or business can be referred to as an UMKM if it meets the criteria for a micro-enterprise. According to statutory regulations No. 20 of 2008, UMKM are distinguished based on the types of business, namely micro, small and medium enterprises. The UMKM business has a role and function for economic conditions, namely opening up employment opportunities, encouraging unequal economic conditions to be better, increasing the country's foreign exchange, spurring the economy in critical situations, and meeting people's needs accurately. With these roles and functions, to be able to establish UMKM does not require very large capital and also UMKM have a flexible nature, UMKM businesses can be used for side income and can be used to meet needs when experiencing difficult situations. UMKM that are managed properly can provide benefits for actors, consumers and the state.

UMKM are the key to encouraging economic growth in countries experiencing a crisis or a bad country's economy. With the existence of UMKM the state can grow the country's economy again. UMKM also have an important role in the economy and have the potential to continue to be improved in encouraging national economic growth. UMKM have a high economic resilience that supports economic stability. UMKM have product characteristics that are close to community needs, domestic raw materials and resources, and minimal risk exposure on financial markets. These characteristics of UMKM make UMKM able to be a cushion for periods of economic slowdown, especially in encouraging sector performance that contributes greatly to the economy, and absorbs many additional informal workers affected by the economic slowdown. Productive, innovative and efficient UMKM

will support the effectiveness of central bank policy transmission through its role in increasing economic aggregate demand.

Efforts to increase the productivity of the national economy require improving the performance of UMKM. With the strategic role of UMKM in the national economy and their ability to support the economy during slowing economic growth, the policy focus on increasing UMKM productivity is very important. Increasing the productivity of UMKM has the opportunity to continue to be optimized through strengthening innovation. As will be discussed at this time the innovation-based UMKM development strategy in East Java province in the 2010-2014 period. The trade balance continues to run a deficit and can have a negative impact on the Indonesian economy. UMKM in this case play an important role in driving the economy. UMKM have is a very small workforce, asset and turnover but with a very large number making UMKM a major factor in driving the economy. Therefore, UMKM become a supporting factor in the movement of the Indonesian economy. Without UMKM, the economy will be increasingly destroyed and will not develop.

The development of UMKM in East Java is supported by several factors, namely the wide landscape of East Java, large market potential, large population and abundant natural resources that can be used. With these factors, the development of UMKM in the East Java region can be carried out effectively so that UMKM can develop evenly and according to the target. The development of UMKM is also inseparable from the many benefits provided or contributed by UMKM in East Java. The contribution of UMKM to the East Java economy can be seen from the magnitude of the economic growth rate, Gross Regional Domestic Product (GRDP), per capita income which increases from year to year. This was conveyed based on data that has been managed by the Central Statistics Agency (BPS) in East Java Province. Therefore, the government needs to support the development of MSMEs in East Java province with efforts to encourage the development of UMKM through strategies and innovations to increase the sales volume of UMKM products.

UMKM can develop rapidly so that the proceeds from the business can be used for personal interests and can also help the provincial economy. The provincial government to be able to develop a strategy for developing UMKM in East Java, it is necessary to have a SWOT analysis namely strengths, weaknesses, opportunities, and threats. The analysis has been grouped into 4 strategies, namely the Strength and Opportunity Strategy (S-O), the opportunity and weakness strategy (W-O), the strength and threat strategy (S-T), the threat and weakness strategy (W-T).

UMKM in East Java based on innovation have very high potential to be able to improve and become a driving force for the East Java economy. This can be useful for reducing unemployment and poverty rates in East Java. This can be seen from the amount of GRDP that has been donated which reaches more than 50%. However, most UMKM in East Java admit that there are several obstacles to developing a business, namely that there are funds that become an obstacle to business growth and also lack of technology mastery which can lead to limited quantity produced by innovation-based UMKM. In the province of East Java too, there are still many human resources who do not have the expertise to work so that UMKM cannot process optimally and it is difficult to develop a business. There are also many problems that arise in UMKM, namely UMKM are still not ready to be able to face global competition, weak sources of information, and too late to understand technological developments. The East Java provincial government should be able to pay attention to UMKM based on innovation, namely by providing capital facilities through banking, providing institutional strengthening, providing innovation with product packaging as it is but attractive, establishing relationships with suppliers and the government providing a facility for UMKM to can participate in exhibitions at home or abroad. UMKM to be able to grow and develop their business requires a cooperative relationship with suppliers so that they can complete all UMKM raw materials and can compete in the market.